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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

AT&T

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November 7, 2000

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St., SW, Room TWB-204
Washington, DC 20554

Re: Notice of Ex Parte Meeting:
In the Matter of Implementation of the Local Competition Provisions in the Local Telecommunications Act of 1996, Fourth Further Notice of Proposed Rulemaking, CC Docket No. 96-98

In the Matter of Application by Verizon New England, Inc. Bell Atlantic Communications, NYNEX Long Distance Company, and Verizon Global Networks to Provide In-Region InterLATA Services in Massachusetts, CC Docket No. 00-176

Comments Requested On The Application By SBC Communications, Inc. For Authorization Under Section 271 Of The Communications Act To Provide In-Region, InterLATA Service In The States Of Kansas And Oklahoma, CC Docket No. 00-217

Access Charge Reform, CC Docket 96-262; Request for Emergency Relief of the Minnesota CLEC Consortium and the Rural Independent Competitive Alliance, DA 00-1067; Mandatory Detarriffing of CLEC Interstate Access Services, DA 00-1268

In the Matter of the Funding Mechanism of the Universal Service Fund, CC Docket No. 96-45

Dear Ms. Salas:

On Tuesday Novemeber 7, 2000, AT&T provided copies of the attached letter to the Commissioners, their Legal Advisers, Dorothy Attwood, Glenn

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Reynolds, and Michelle Carey. Two copies of this Notice are being submitted for each of the referenced proceedings in accordance with the Commission's rules.

Sincerely,

Robert W. [illegible] Jr

cc: Anna Gomez
Jordan Goldstein
Deena Shetler
Kyle Dixon
Rebecca Beynon
Dorothy Attwood
Glenn Reynolds
Michelle Carey

James W. Cicconi
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November 6, 2000

The Honorable William E. Kennard
Chairman
Federal Communications Commission
445 12th Street, SW – 8th Floor
Washington, DC 20554

The Honorable Susan Ness
Federal Communications Commission
445 12th Street, SW – 8th Floor
Washington, DC 20554

The Honorable Harold Furchtgott-Roth
Federal Communications Commission
445 12th Street, SW – 8th Floor
Washington, DC 20554

The Honorable Michael K. Powell
Federal Communications Commission
445 12th Street, SW – 8th Floor
Washington, DC 20554

The Honorable Gloria Tristani
Federal Communications Commission
445 12th Street, SW – 8th Floor
Washington, DC 20554

Dear Commissioners:

In considering the difficult and contentious issues that face the Commission and the industry, there is no place for the cynical innuendo and self-serving falsehoods that appear in USTA's October 30, 2000 letter to you. USTA claims that AT&T's recent restructuring announcement signals a lessening of our interest in providing long distance services to American consumers, and raises the specter of a "complete exit

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from the consumer long distance market" by today's major IXCs. Predictably, USTA proposes hastening Bell company entry into the long distance market to address these contrived concerns.

USTA's claims are as unseemly as they are unfounded. AT&T's consumer long distance business will remain part of the core AT&T network company, and we will continue to provide residential customers the same high quality services that we provide today, using the same network and customer care facilities we use today. The performance of this consumer unit will be reflected in a tracking stock that, if anything, will increase our focus on this customer group, and our incentives to operate and expand this business in the manner that best meets consumers' needs. In addition, we will continue to use all technically and economically viable means to compete for residential customers in the local market. This is why AT&T has spent extraordinary sums to acquire and upgrade cable facilities, develop and deploy fixed wireless assets, and build the systems and infrastructure necessary to utilize unbundled network elements. AT&T's restructuring does not diminish, and should only enhance, our goal of bringing to American consumers the broadest array of competitive alternatives wherever possible.

AT&T's restructuring (and the similar issues that are widely reported to be facing nearly all major IXCs, CLECs and data LECs) does, however, underscore a very different public policy concern that must be addressed promptly and decisively by the Commission. The ability of AT&T and other CLECs to deliver local telephone competition to America's consumers turns in largest part on the actions of the local telephone monopolies that USTA represents, as well as on the actions of the regulatory agencies charged with forcing open those monopoly markets. Yet, the monopolies have used litigation, intransigence, and regulatory gamesmanship to delay or defeat the advent of local competition, to the great detriment of these prospective competitors and the primary beneficiaries of competition – consumers. IXCs and CLECs have worked to deliver this competition, only to discover that they, and their investors, remain at tremendous artificial disadvantages relative to the incumbent monopolies. Although meaningful alternatives for consumers may someday emerge as AT&T and other companies deploy service over cable and other "last mile" facilities that are less dependent on ILEC compliance and regulatory vigilance, the only near-term prospect for widespread consumer choice is access to ILEC network elements on terms that make new entry feasible. Absent UNE-based competition, many residential consumers will be left behind. The record of ILEC stonewalling and resistance in this regard is evident from the conspicuous absence of meaningful UNE (or resale) based entry from <u>any</u> of the IXCs or CLECs for whom such entry is a strategic imperative if they are to continue serving consumer customers, and the scope of this absence makes it implausible in the extreme for USTA to suggest that it is the product of any one firm's decisions.

The Commission need look no further than its experience with the Section 271 process to see the growing threat to both local and long distance competition. For example, Verizon uses its control of the PIC change process to severely skew the long

distance marketplace in New York, and SBC is strengthening its last mile monopoly in Texas by denying its long distance and DSL services to anyone who does not buy its local service.[1] And now Verizon asks the Commission to permit it to provide long distance services in Massachusetts, even though it blocked competitors from entering the local market in that State for the last four years by maintaining UNE prices that would not withstand review by this Commission.

Only now, three weeks after it filed its application at the Commission, has Verizon acted somewhat to reduce those rates. Even if the new rates permitted competitors to serve consumers (which they do not), Verizon has denied competitors the time and opportunity needed to enter the local market, something carriers can do only over time and on the basis of stable entry conditions that comply with the requirements of the Act. If the Commission approves the Massachusetts application under these circumstances, the message will be clear: the ILECs need not comply with the Telecommunications Act, if at all, until they seek 271 relief. If the Commission permits the Bell companies to ensure themselves such an unassailable head start in the all-distance competition that Congress intended and the Commission seeks, the Act will not have been implemented correctly and competition will fail.

Against this backdrop, USTA's letter calls to mind the apocryphal story of the parricide defendant who seeks mercy as an orphan. Shifting the blame to AT&T and the scores of other excluded competitors for their "failure" to enter markets the ILECs continue to monopolize is no less brazen or disingenuous. Rewarding the ILECs for this misconduct, as the USTA letter proposes, would be bizarre. The struggle for local competition is at a critical crossroads. It remains for the Commission to determine whether it will permit the incumbent monopolies to snuff out prospects for meaningful competition by gaining premature access to the long distance market, or whether it will require these companies to adhere to the requirements of the Telecom Act. Only in the

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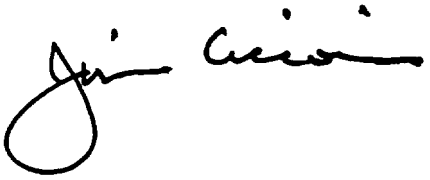
[1] SBC's refusal to provide IX services to CLEC customers underscores USTA's hypocrisy in criticizing AT&T's attempts to deal with exorbitantly high CLEC access rates. As a threshold matter, many CLECs are charging access rates that are competitive with ILEC rates, and AT&T has signed a number of agreements with CLECs for the purchase of their access services. Moreover, where AT&T is unwilling to purchase access from a given CLEC (generally because that CLEC charges many times the marketplace rate for access), AT&T continues to make its IX services available to all consumers using access from other providers, including the ubiquitously deployed ILEC. Finally, this issue has been pending before the Commission for some time. In the Commission's proceedings, AT&T has demonstrated that IXCs have – and should have – no obligation to purchase access from CLECs. We also have explained our concern that imposing a duty to purchase CLEC access would require the Commission to regulate CLEC access rates and, among other harms, distort competitive entry into local and IX markets, force IXCs to subsidize other carriers' predatory pricing schemes, and impose an unwarranted burden on Commission resources. See Policy and Rules Concerning the Interstate, Interexchange Marketplace, Implementation of Section 254(g) of the Communications Act of 1934, as amended, CC Docket No. 96-61; Request for Emergency Relief of the Minnesota CLEC Consortium and the Rural Independent Competitive Alliance, DA 00-1067; Mandatory Detariffing of CLEC Interstate Access Services, DA 00-1268; Access Charge Reform, et al., CC Docket Nos. 96-262 and 94-1 and CCB/CPD File Nos. 98-63, 00-20, and 00-21.

latter instance can the Commission continue the fight to accord all Americans real alternatives in the market for local telephone services.

AT&T will continue to do its part to make that competition a reality wherever possible, but it cannot, and will not, do this unless and until the ILECs' efforts to undermine the Act are rebuffed.

Sincerely,



cc: Bob Rowe, Pres. NARUC
Nora Mead Brownell, 1st VP NARUC
William M. Nugent, 2nd VP NARUC
Joan Smith, Chair, NARUC
Telecommunications Committee
Dorothy Attwood, FCC CCB